

Informal Briefing on IPSAS implementation and Financial Reporting

Executive Board Briefing 4th December 2007





- INTRODUCTION
- 2. UN ACTION
- WFP ACTION
- MAJOR AREAS IMPACTED
- 5. TRANSITIONAL REQUIREMENTS
- 6. STATUS UPDATE AS AT DECEMBER 2007
- MOVING FORWARD
- 8. RISKS AND MITIGATIONS
- 9. FREQUENTLY ASKED QUESTIONS
- 10. IPSAS ADOPTION IN GOVERNMENTS



















1. INTRODUCTION

IPSAS - The Benefits

- Comparability with other international organizations and national governments: from <u>self-produced</u> standards (UNSAS) to <u>independent</u> standards tailored to the public sector organisations (IPSAS)
- Improved financial information supports better governance and internal financial management
- Enhanced accountability, transparency and harmonization of financial accounting and reporting within the UN
- Improved quality and credibility of UN System financial reports
- Consistency





1. INTRODUCTION

Cash basis vs Accrual basis

Cash basis:

- Recognition of transactions and other events only when cash is received / paid.
- Revenue is recognised when cash related to contributions is received, not when contributions are confirmed.
- Expenses are recognised when the disbursement is made to the supplier / vendor not when goods / services are received.

Accrual basis:

- Transactions and other events are recognized when they occur (not only when cash is received /paid).
- Transactions and events are recorded in the accounting records at the periods to which they relate.



2. UN ACTION

- UN General Assembly's approval of IPSAS implementation system-wide by January 2010 subject to ERP upgrade;
- IPSAS Steering Committee (SC) and Focus Groups (FG) established by the Task Force (TF);
- UN (TF) Accounting Standards working to facilitate IPSAS adoption;
- Establishment of an Accounting Standard Project overseen by CEB/TF.





3. WFP ACTION

- WFP's EB approved IPSAS early adoption at WFP effective 01/01/08;
- Mid 2006 establishment of professional team to assess and develop IPSAS requirements for WINGS II development in coordination with NAO;
- Participation in UN WG & development of accounting implementation manual;





- Establishment of opening balances, financial position as of 01/01/08 IPSAS compliant; coordination with relevant Business Users;
- Change Management Coordination program for organizational-wide communication and training strategy for IPSAS awareness;
- Regular EB updates.





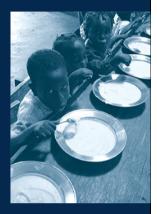
4. MAJOR AREAS IMPACTED







- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison











FINANCIAL REGULATION 13.1 - Amended effective 2008

"The Executive Director shall submit to the Board for its approval annual financial statements in respect of the WFP Fund, including its funds and accounts.

These financial statements shall be prepared in accordance with United Nations Common Accounting Standards, except when the nature of WFP's operations requires different internationally accepted accounting standards.

The format of the financial statements shall be such as may be appropriate to clearly show the financial position of WFP and meet the managerial requirements of the Board and of the Executive Director."





PRESENTATION OF FINANCIAL STATEMENTS

Financial Statements under UNSAS

STATIONENT OF INCOME, AND INFORMATINES AND CHAMMES IN TUNO DALANCES FOR THE YEAR RINGED TO DECIMINATE 2008 (US\$ thyraes)									
	Notes	Programme Category Funds	General Fund and Special Accounts (Note 10)	Offsteral Operations and Trant Funds (Note 19)	(Note 20)	Total VFP Fund	Prior Perio 2004-2005 [Arthroted] [More 20]		
INCOME									
Commodity in kind contributions	28(14)	376 219				376.279	363 1		
Senices-in-kind contributions	2091	91 579	583			E CE	70.9		
Other combutions	26%)	2 86 000	29294	59 965		2 352 292	5 195 3		
Sovenment cush contributions for local costs	26.140		1327			1327	32		
heesat	1 .		40 099	3 322		46 722	54.71		
Currency eschange adjustments		48 335	7 400	[509		47192	(22 b		
Morelaneous income		39.787	82 008		(25 207)	86570	95.4		
Transfer of indirect support cost combinations to General Fund	25(4)	[67 964]	69277	(140)					
TOTAL INCOME INCLUDING TRANSFER	=	2 565 234	323 289	129 366	[25 207]	2 932 123	5 310 E		
EXPENDITURE									
Commodifier in-kind		48.00		2 500		42:539	990 8		
Convodites pushased		533 579	12	22 821		566.265	17723		
Dream transport and related costs		242 125	- 1	210		242442	627.7		
Landside-transport storage and kanding		728 945	29	4129	(2499)	721207	12024		
Other direct operational costs		282 079	85 500	8.007	[16700]	327 099	402		
Direct support costs	14	298 738	62,592	30.11	(4.520)	395.00	654.6		
Programme support and administration	14		281573		(96)	20150	292 8		
TOTAL EXPENSITURE		2 466 853	348 651	93 956	[25 897]	2 975 653			
Esceco/(chardall) of income over espenditure		28 881	(% 77t)	24 490		56 529			
Fund balances, beginning of period	10	1 686 591	305 541	229 266		2 062 755	5 311 6		
Contribution adjustments	15	[EX 090]	(1990)	(5279)		(8596)			
Write-ort of accounts receivable			[1386]			[2386	(4)		
Prior period adjustments	16	6.958	2 637	(9.85)		101	[09]		
Savings on suncettation of prior period obligations							- 11		
Transfers between Funds and accounts	ITA		(6873)	405					
Transfers have received	OD	27 094	64 10	-	-	22:004	+>:		
			204 799			2 992 229			

STATEMENT OF ASSETS, LIBRUILES, RESERVES AND FUND RALANCES AS AT TO DOCUMENT THE OF THE OFFICE OF THE O									
	Motes	Programme Category Funds	General Fund and Special Accounts	Diffatoral Operations and Trust Funds	Climinations (Note 20)	Total VFP	Prior Period 2004-2005 (Adjusted) (Note 3C)		
ASSETS									
Cadyand short remissestments		48107	422 432	295 601		18979	100 229		
Cathhelin/sut in County Offices	5			2840		2843	21570		
Accounts receivable		42 379	120:304	4.250	1940	171729	28 859		
Contributions receivable	7	1229 382	20305			1249107	128 766		
Losgiesnisvestnests			55.88			55.83	55.700		
TOTAL ASSETS		1752 900	647 389	212 699	[34.443]	2 530 552	2 745 452		
LIABILITIES									
Current Liabilities									
Accounts payable	10	1970	122,908	8 520	[940]	202400	295 702		
Funds held in trust in Country Offices	- 5			2840		280	31578		
Total Current Liabilities		NIND	10197	10.363	[940]	295 533	3034		
lose Tem Lose	100		105,000			105,000	16 000		
TOTAL LIMBILITIES	-	168 763	238 830	18 363	[16 643]	391 533	423 341		
RESERVES AND FUND BALANCES									
Визизиз	13		201191			20179	259 253		
Find balances		1604 125	304 758	54,38		2 800 229	2362760		
TOTAL RESERVES AND FUND BALANCES		1684 125	480 559	194 226	-	2 297 620	2 222 11		
			647 282	20 699	194420	2 530 552	2 745 452		

STATEMENT III STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2006 (US\$ thousand)							
	Hotes	WFP Fund	Prior Period 2004-2005 (Adjusted)				
ash inflow (outflow) from operating activities:							
Excess of income over expenditure (Statement I)		56 520	236 011				
Decrease in cash held in trust in Country Offices	- 6	17 738	38 650				
(Increase) decrease in accounts receivable	6	47 331	(65 200)				
Decrease in contribution receivable	7	69 691	429 812				
Increase (decrease) in accounts payable	3C/10	(14 070)	183 448				
(Decrease) in funds held in trust in Country Offices	5	(17.738)	(37.961)				
Subtotal	1 1	169 462	784 760				
Less interest income		46 722	54 785				
Het cash inflow from operating activities	1 1	112 740	729 975				
ash from investing and financing activities:							
Decrease in long-term investments	8	1 520	5 433				
Add interest income		46.722	54 786				
Het cash from investing and financing activities	1 1	48 342	60 217				
ash inflow (outflow) from (to) other sources:	1 1						
Contribution ediustments	16	(185 846)	(445 633				
Virite-off of accounts receivable		(3.380)	(4 713				
Prior period adjustments	16	1.173	(09.155)				
Savings on cancellation of prior period obligations			1.004				
Transfers from reserves	176	72 004	48 213				
Decrease in reserves		(55 562)	(77.031)				
Het cash outflow to other sources	1 1	(171 611)	(567 315				
et increase (decrease) in cash and term deposits	1 1	(10.529)	222 877				
ash and term deposits at beginning of period		1 130 239	907 362				
ash and term deposits at end of period	4	1 112 710	1 139 239				

- I. Income and Expenditure
- II. Assets, Liabilities, Reserves and Fund Balances
- III. Cash Flow Statement

Notes

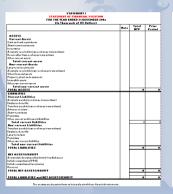






PRESENTATION OF FINANCIAL STATEMENTS

Financial Statements under IPSAS





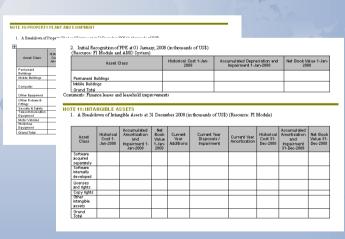


STATEMENT IV STATEMENT OF CASH FLOW FOR THE YEAR RODE 31 DECEMBER 2002 (In Thorsands of US Delizes)					
	Notes	Total WFP	Prior Perio		
Cash flows from operating activities:	_				
Surplus (deficit) for the period	1				
Depreciation and amortization	1				
Increase in provision for doubtful debts	1				
(Increase) decrease in inventories					
(Increase) decrease in receivables	1				
[Increase] decrease in other assets					
Increase (decrease) in advance receipts	1				
Increase (decrease) in accounts pagable					
Increase (docrease) in other liabilities					
(Gains) losses on cale of property, plant and equipment	1				
(Guina) looped on sale of innestments	1				
Less investment income					
Net cash flows from operating activities	1	0			
Cash flows from investing activities:					
Perchases of property, plant and equipment (PP&E)					
Purchases of intangible assets	1				
Perchase of investments					
Proceeds from sale of PPAE					
Proceeds from sale of investments	1				
Cach flow from investments interest					
Net cash flows from investing activities		0			
Cash flows from financing activities:	1				
Proceeds from borrowings					
Repayment of borrowings	1				
Net cash flows from financing activities					
Net increase (decrease) in cash and cash equivalents	1	1			
Cash and term deposits at beginning of financial period	1				
Cash and cash equivalents , end of financial period	1				

	MPARISON O IE YEAR ENDE	MENT V Feudget an D 31 deceme s of US Dollar	ER 200x	DUNTS	
		Budgeted	Amounts		
	Notes	Original	Final	Actual Amounts on Comparable Basis	Differenc Final Budy and Actu
Cost components					
Food					
Esternal transport					
LTSH					
0000					
DBC					
Sub-total direct costs		0		0	
Regular PSA					
Capital and capacity funds					
Sub-total indirect expenditure		0		0	
Total Budget/Actual			0	0	

- I. Financial Position
- II. Financial Performance
- III. Changes in Net Asset/Equity
- IV. Cash Flow Statement
- V. Comparison of Budget and actual amounts

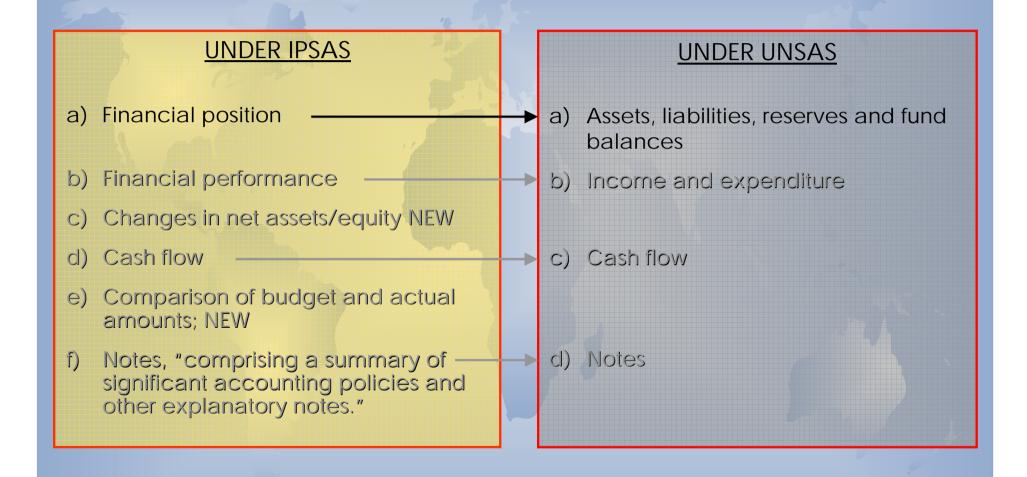
Notes







A set of financial statements comprises of:





MAIN DIFFERENCES:

Presentation of assets and liabilities by:

- > CURRENT
- NON-CURRENT

Inclusion among assets of:

- > INVENTORIES,
- PROPERTY PLANT AND EQUIPMENT,
- > INTANGIBLE ASSETS

Inclusion among liabilities of:

- EMPLOYEE BENEFITS
- > PROVISIONS
- CONTINGENT LIABILITIES







COMPARATIVE FIGURES

Comparative figures will not be presented for the first year of IPSAS adoption as per agreement of the United Nations Task Force on Accounting Standards in an effort to foster consistency and harmonization.





Financial Position (IPSAS) & Assets, Liabilities, Reserves and Fund Balances (UNSAS)

COMPARISON OF ASSETS UNDER UNSAS AND IPSAS

ASSETS-UNSAS

- Cash and short-term investments
- Cash held in trust in Country Offices
- Accounts receivable
- Contributions receivable
- > Long-term investment

ASSETS-IPSAS

- Current Assets
- Cash and Cash equivalents
- Short term investments
- Inventories
- Accounts receivable (non exchange transactions)
- Receivables from exchange transactions
- Other current assets
- Total Current Assets
- Non-Current Assets
- Long-term investments
- Accounts receivable (non-exchange transactions)
- Other financial assets
- Property, plant and equipment
- Intangible assets
- Other non-current assets
- Total Non-current assets





Financial Position (IPSAS) & Assets, Liabilities, Reserves and Fund Balances (UNSAS)

COMPARISON OF LIABILITIES UNDER UNSAS AND IPSAS

LIABILITIES-UNSAS

- Current Liabilities
- Accounts payable
- Funds held in trust in Country Offices
- Total Current Liabilities
- Long-Term Loan

LIABILITIES-IPSAS

- CURRENT LIABILITIES
- Accounts payable (exchange transactions)
- > Employee benefits
- Transfers payable
- Advance receipts
- Short-term loans
- Provisions
- Other current and financial liabilities
- Total Current Liabilities
- NON-CURRENT LIABILITIES
- Transfers payable
- Employee benefits
- Long-term loan
- Provisions
- Other non-current liabilities
- Total Non-current Liabilities





STATEMENT II (UNSAS) STATEMENT OF ASSETS, LIABILITIES, RESERVES AND FUND BALANCES AS AT 31 DECEMBER 200X (US\$ thousand)

	Notes	Programme Category Funds	General Fund and Special Accounts	Bilateral Operations and Trust Funds	Total WFP	Prior Period
ASSETS						
Cash and short-term investments		xxx	xxx	xxx	XXX	xxx
Cash held in trust in Country Offices		xxx	xxx	xxx	ххх	xxx
Accounts receivable	17	xxx	xxx	xxx	XXX	xxx
Contributions receivable	4	xxx	xxx	xxx		XXX
Long-term investments		xxx	xxx	XXX	XXX	
TOTAL ASSETS	4	xxxx	XXXX	XXXX	XXXX	XXXX
LIABILITIES Current Liabilities Accounts payable Funds held in trust in Country Offices Total Current Liabilities		xxx xxx xxx	xxx xxx xxx	xxx xxx xxx	xxx	XXX XXX XXX
Long-term loan		XXXX	XXXX	xxxx	XXXX	XXXX
TOTAL LIABILITIES RESERVES AND FUND BALANCES		xxxx	xxxx	xxxx	XXXX	xxxx
Reserves		xxx	xxx	xxx	ххх	xxx
Fund balances		xxx	xxx	xxx	XXX	xxx
TOTAL RESERVES AND FUND BALANCES		xxxx	xxxx	xxxx	XXXX	XXXX
TOTAL LIABILITIES, RESERVES AND FUND BALANCES		16 xxxx	xxxx	xxxx	XXXX	World Food Prograxxxx



STATEMENT I (IPSAS) STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ Thousand)

	Notes	Total WFP	Prior Period
ASSETS			
Cash and short-term investments		xxx	XXX
Inventories		XXX	XXX
Accounts receivable		XXX	
Total current assets		XXXX	
Property, Plant & Equipment		XXX	XXX
Total non-current assets		XXXX	
TOTAL ASSETS		XXXX	XXXX
LIABILITIES Accounts Payable		xxx	xxx
Provisions		XXX	
Other current and financial liabilities		XXX	
Total current liabilities		XXXX	
Employee benefits		XXX	
Long-term loan		XXX	
Total non-current liabilities		XXXX	
TOTAL LIABILITIES		XXXX	XXXX
NET ASSETS/EQUITY		-	
Accumulated surplus/(deficits)-fund balances		xxx	XXX
Initial recognition of PP&E and Inventories		xxx	XXX
Reserves		XXX	XXX
Total net assets/equity		xxxx	xxxx
17			
TOTAL LIABILITIES and NET ASSETS/EQUITY		xxxx	Wxxxx Food



FINANCIAL STATEMENTS - Segment reporting:

Segment reporting will assist in understanding WFP's past performance and will identify the resources allocated to support it's major activities

WFP's segment reporting will be based on it's service segments:

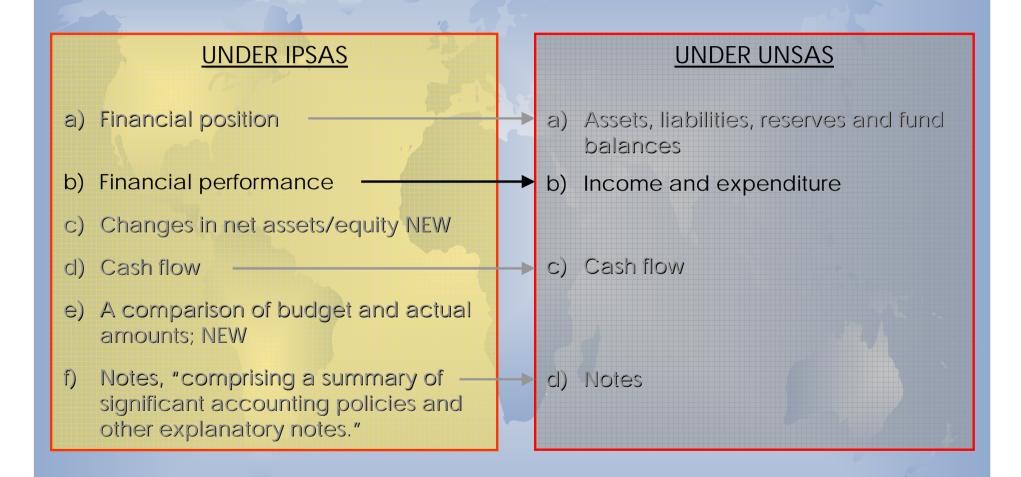
- Programme categories
- ➤ General Fund
- ➤ Bilateral/Trust funds

Disclosed will be Segment revenue, Segment expense, Segment Assets and Segment Liabilities





A set of financial statements comprises of:





MAIN DIFFERENCES:

Capitalization of costs:

- Cost of commodities distributed/transferred instead of commodities purchased (now treated as inventories)
- Asset purchases capitalized if above threshold

Additional cost lines:

- Depreciation and amortization charges for capitalized assets and intangibles
- Provisions and contingent liabilities







Financial Performance (IPSAS) & Income and Expenditures (UNSAS)

COMPARISON OF EXPENDITURE UNDER UNSAS AND UNDER IPSAS

EXPENDITURE-UNSAS

- Commodities in-kind
- Commodities purchased
- Ocean transport and related costs
- Landside transport storage and handling
- Other direct operational costs
- Direct support costs
- Programme support and administration
- Asset purchases

EXPENSES-IPSAS

- Cost of commodities distributed/transferred
- Distribution cost & services (Transport & related services)
- Wages, salaries and employee benefits
- Grants and other transfers
- Supplies & consumables used
- Other services
- Finance costs/Bank charges
- Other material losses
- Other expenses
- Depreciation and amortization
- Provisions





STATEMENT I (UNSAS) STATEMENT OF INCOME AND EXPENDITURES AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ Thousand)

4		Programme Category Funds	General Fund and Special Accounts	Bilateral Operations and Trust Funds	Total WFP Fund	Prior Period
	INCOME Commodity in-kind contributions Services-in-kind contributions Others	xxx xxx xxx	XXX XXX XXX	xxx	xxx xxx xxx	
	TOTAL INCOME INCLUDING TRANSFER	xxxx	xxxx	xxxx	XXXX	xxxx
	EXPENDITURE Commodities in-kind Commodities purchased Programme support and administration	xxx xxx xxx	xxx xxx xxx	xxx	xxx xxx xxx	
	TOTAL EXPENDITURE	xxxx	XXXX	xxxx	XXXX	xxxx
	Excess/(shortfall) of income over expenditure Fund balances, beginning of period Contribution adjustments Write-off of accounts receivable Prior period adjustments Savings on cancellation of prior period obligations Transfers between funds and accounts	xxxx xxx xxx xxx xxx xxx	XXXX XXXX XXX XXX XXX	xxxx xxx xxx xxx xxx	xxxx xxx xxx xxx xxx xxx	XXXX XXX XXX XXX
	Transfers from reserves	xxx	xxx	xxx	xxx	XXX
		22				World Foc d Programm e
	FUND BALANCES, END OF PERIOD	Xxxx	XXXX	xxxx	XXXX	XXXX



STATEMENT II (IPSAS) STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)

	NOTES	TOTAL WFP	PRIOR PERIOD
REVENUE			
Cash Contributions		XXX	XXX
In-kind Contributions		XXX	XXX
Other Material Gain/Other revenue		XXX	XXX
TOTAL REVENUE INCLUDING TRANSFER			
EXPENSES		XXXX	xxxx
Cost of commodities distributed/transferred		xxx	xxx
Distribution cost & services		xxx	xxx
Wages, Salaries and Employee Benefits		XXX	ххх
Other services		XXX	xxx
Depreciation and amortization		XXX	xxx
Provisions		xxx	xxx
Finance costs/Bank charges		XXX	xxx
Other material losses		xxx	xxx
Other expenses		XXX	ххх
TOTAL EXPENSES		xxxx	xxxx
SURPLUS/DEFICIT FOR THE PERIOD		xxxx	WFP XXXX





FINANCIAL STATEMENTS - Segment reporting:

Segment reporting will assist in understanding WFP's past performance and will identify the resources allocated to support it's major activities

WFP's segment reporting will be based on it's service segments:

- Programme categories
- ➤ General Fund
- ➤ Bilateral/Trust funds

Disclosed will be Segment revenue, Segment expense, Segment Assets and Segment Liabilities





A set of financial statements comprises of:

UNDER IPSAS UNDER UNSAS a) Financial position a) Assets, liabilities, reserves and fund balances Financial performance b) Income and expenditure c) Changes in net assets/equity NEW c) Cash flow Cash flow e) Comparison of budget and actual amounts: NEW Notes, "comprising a summary of d) Notes significant accounting policies and other explanatory notes."





Changes in Net Assets/Equity

COMPARISON OF FINANCIAL STATEMENTS UNDER UNSAS AND IPSAS

UNSAS BELOW THE LINE

- Fund Balances, beginning of period
- Contribution adjustments
- Write-off of accounts receivables
- Prior period adjustments
- Savings on cancellation of prior period obligations
- Transfers between funds and accounts
- Transfers to reserves
- Fund Balances, end of period

IPSAS

STATEMENT OF CHANGES IN NET ASSETS/FOUITY

Net Asset/Equity at the beginning of the period

- Change in accounting policy
- > Correction of prior period error
- Adjustment for the initial recognition of property, plant and equipment
- Adjustments for the initial recognition of stock inventories

Restated Balance at the beginning of the period:

- > Transfers between funds and accounts
- > Transfers from/to reserves
- ➤ Gain/loss on revaluation of PP&E
- Gain or revaluation of investments

Total of items (revenue/expenses) recognized directly in Net Asset/Equity

Surplus/(deficit) for the period

Total recognized revenue and expense for the period

Net Asset/Equity at the end of the period







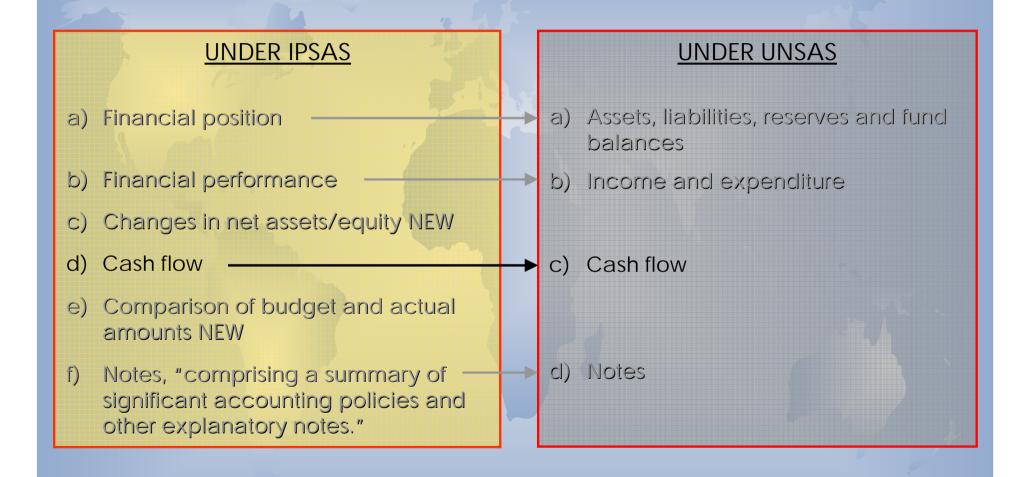
STATEMENT IV (IPSAS) STATEMENT OF CHANGES IN NET ASSETS / EQUITY FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)

	NOTES	TOTAL WFP	PRIOR PERIOD
Net Assets/Equity at the beginning of the period		xxxx	xxxx
Change in accounting policy		xxx	xxx
Correction of prior period error		XXX	xxx
Adjustment for the initial recognition of property, plant and equipment		VVV	VVV
Adjustments for the initial recognition of stock	*	XXX	XXX
inventories		xxx	xxx
Restated Balance at the beginning of the period:		XXXX	XXXX
Transfers between funds and accounts		xxx	xxx
Transfers from/to reserves		xxx	xxx
Gain/loss on revaluation of PP&E		xxx	xxx
Gain on revaluation of investments		xxx	xxx
	7		
Total of items (revenue/expenses) recognized			
directly in Net Assets/Equity		xxxx	xxxx
Surplus/(deficit) for the period		XXXX	XXXX
·		^^^^	****
Total recognized revenue and expense for the period		xxxx	xxxx
penou		XXXX	XXXX
Net Assets/Equity at the end of the period		XXXX	XXXX





A set of financial statements comprises of:





MAIN DIFFERENCES:

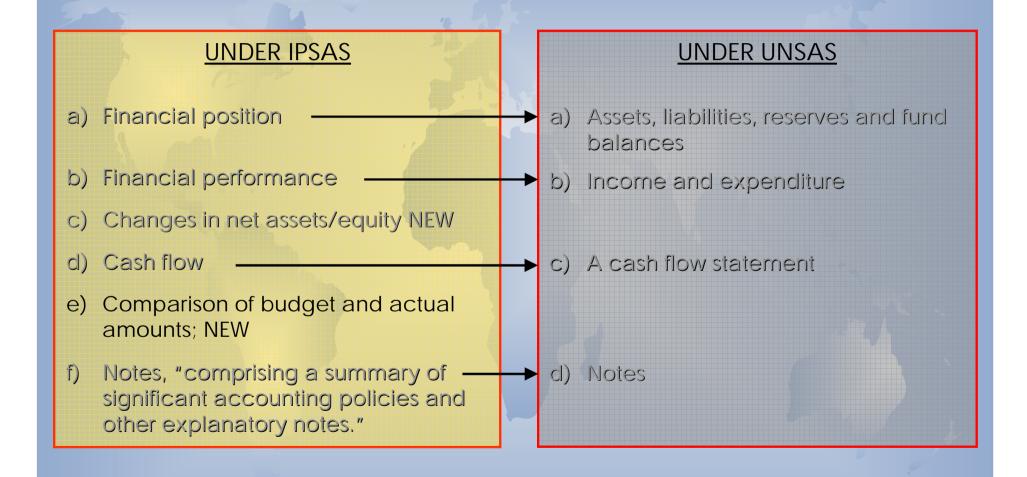
No major differences between the Statement of cash flow under UNSAS and IPSAS

- Cash and term deposits at beginning of period
- Cash flows from operating activities
- Cash flows from investing activities
- Cash flows from financing activities
- Cash and cash equivalents, end of period





A set of financial statements comprises of:







STATEMENT V STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 200X

NEW!!

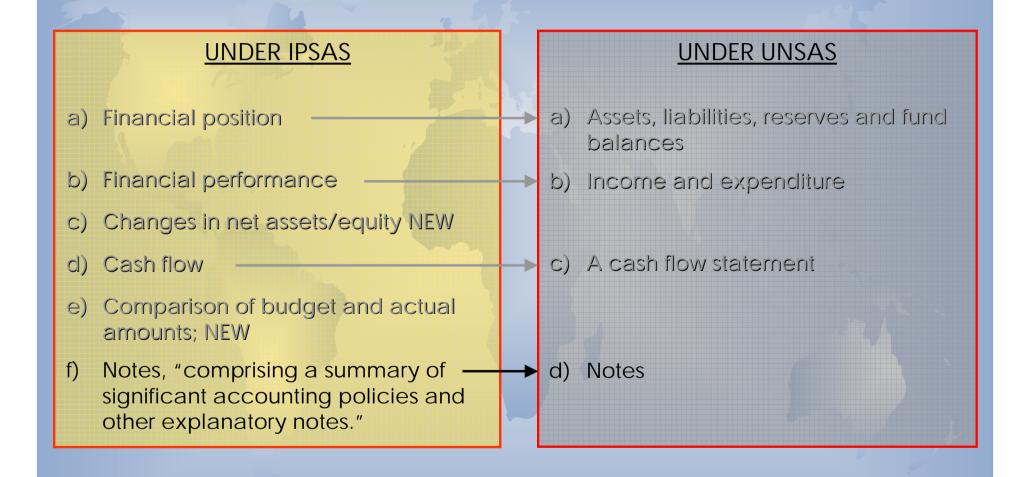
(US\$ thousand)

		Budgeted A	Amounts		
	Notes	Original	Final	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
Cost components					
Food		. ,			
External transport					
LTSH					
ODOC					
DSC	14.	4		P	*\>
Sub-total direct costs		х	х	х	х
Regular PSA		4	a d		4/
Capital and capacity funds	7				
Sub-total indirect expenditure		X	X	X	X
Total Budget/Actual		х	х	х	х





A set of financial statements comprises of:







Financial Statements - NOTES

UNDER UNSAS

- UNSAS WFP notes expanded over the years (41 pages for 2006)
- Detailed narrative description of transactions (Funds and Reserves)
- Cross-reference to Statements I, II and III
- Description of WFP objective and Summary of significant accounting policies (Note 1 and 2)

UNDER IPSAS

- Opportunity to streamline WFP's Note disclosure
- Systematic work paper ensures audit trail and description of changes
- Disclosure based on minimum IPSAS requirements
- New IPSAS notes give summarized overview through tables and schedules
- Integral part of the financial statement presentation





4. MAJOR AREAS IMPACTED







- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison











Covered by:

> IPSAS 1: Financial Statements

> IPSAS 12: Inventories

> IPSAS 23: Non-Exchange Transactions



If on-hand or otherwise under our <u>control</u>, will be recognised as an ASSET in Balance Sheet. We have never done this before.

About US\$500m to US\$700m in food commodities.





The Principle:

The recognition and accrual, if necessary, of expenditures during a financial period is based on goods and/or services delivered against legal obligations.

Inventory will only be recognised as an EXPENSE once it is DISTRIBUTED to beneficiaries. Prior to IPSAS, we have "expensed" all costs (procurement, transport etc.) as incurred.





Accumulation of costs into inventory ceases when stocks first enter the recipient country.

- After that, no matter how much it moves around the recipient country, no increase in value (unless it then moves on to another country).
- Costs of moving stocks in-country are DISTRIBUTION.





Broadly, all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition...

IPSAS 12, para 18

- Procurement
- External transport
- Port clearance, stevedoring
- Land transport across transit countries to recipient countries
- Transformation costs





4. MAJOR AREAS IMPACTED







- Financial Statements
- Inventories
- > Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison











The initial Recognition of Fixed and Intangible Assets in the financial statements is one of the most challenging areas of IPSAS implementation:

Capitalization based on threshold limits and Useful life

Depreciation/Amortization over assets estimated useful lives

Impairment and valuation





FIXED AND INTANGIBLE ASSETS

Intangibles

- Identification of internally developed Intangible assets;
- Rebuild record of externally acquired intangible assets;
- List all potential assets and apply definition, recognition criteria and thresholds to each item on the list;
- Define categories to classify intangible assets;
- Create and maintain asset register;
- Costs involved in internally generated intangible assets, especially internally developed or customized software.



FIXED AND INTANGIBLE ASSETS

Main Issues

ISSUES

- What should be capitalised
 - > Based on thresholds
 - Useful life according to asset class
- Asset Management database not linked to values
- Recording from 01-01-08

RESOLUTIONS

- Take 5 year grace period initially only recognize assets above thresholds and with more than 5 years useful life remaining
- Physical count at 30/9/07
- AMD data cleansing
- In agreement with UN agreed guidelines





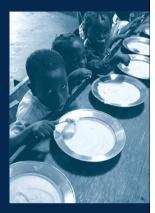
4. MAJOR AREAS IMPACTED







- Financial Statements
- Inventories
- Fixed and Intangible Assets
- > Employee Benefits
- Budget Comparison











- Liabilities for employee benefits are to be fully recognized;
- Recognition at WFP and following the lead of the UN as of 31st December 2007 to serve purposes of establishing opening balances;
- WFP staff under UNDP;
- Funding issue identified but not resolved. In better position than many other UN agencies;
- Recognition of some employee benefits through actuarial calculations.





Recognition at WFP as of 31st December 2007 will serve purposes of establishing opening balances

- Compensation Plan Fund (CPRF)
- Death Grant
- Group After Service Medical coverage
- Paid Annual leave
- Education Grant
- Home Leave Travel
- Repatriation Grant
- Repatriation Travel
- Separation Payment Scheme
- Termination Indemnity





EMPLOYEE BENEFITS

Recognition and Funding (cont'd)

- Recognition permitted by IPSAS although adequate funding not available at the time of recognition
- Some liabilities have accumulated over many years and are already fully recognized, funded and disclosed.
- Others partially funded or not funded at all





EMPLOYEE BENEFITS

Liabilities Funding Status and unaudited estimates at 31.12.06

Liabilities	Liability recognized in financial statements	
After-service medical coverage	Liabilities, estimated by actuarial study	
Separation payments scheme	Liabilities, estimated by actuarial study	
Compensation plan reserve fund	Liabilities, estimated by actuarial study	
Repatriation grants	To be recognized	
Repatriation travel and removal costs	To be recognized	
Home leave, Education grants, Field staff	To be recognized	
Annual leave	To be recognized	
Death grants	To be recognized	
Estimated liability at 31 December 2006 (unaudited) US\$ 193.3 million	Funded at 31 December 2006 US\$ 94.9 million	





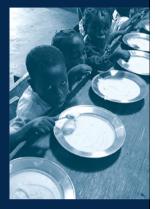
4. MAJOR AREAS IMPACTED







- Financial Statements
- Inventories
- Fixed and Intangible Assets
- Employee Benefits
- Budget Comparison











BUDGET COMPARISON AND RECONCILIATION

Approved Budget to Actual Comparative Statement

- Additional Statement as part of the Presentation of Financial Statements;
- Comparison prepared on the basis of the budget.

Variance disclosure: Actuals to budget; original to final budget

- Disclosure of material differences as part of the financial notes;
- Management plan as approved by the board in October as a basis for the original budget.





BUDGET COMPARISON AND RECONCILIATION (cont'd)

Annual budget

- WFP will continue to prepare a biennial budget;
- A breakdown of the biennial budget into the two reporting years is provided in the management plan;
- A two year actual VS budget comparison will be included at the end of the second year of the budget period in addition to an annual schedule.

Reconciliation Requirements

- Reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements;
- Reconciliation to net cash flows from operating activities, investing activities and financing activities.





STATEMENT V STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 200X (US\$ thousand)

		Budgeted .	Amounts		
	Notes	Original	Final	Actual Amounts on Comparable Basis	Difference: Final Budget and Actual
Cost components Food External transport LTSH ODOC DSC					
Sub-total direct costs Regular PSA		X	Х	X	х
Capital and capacity funds Sub-total indirect expenditure		х	х	х	х
Total Budget/Actual		51 _x	х	x	WFP X



5. TRANSITIONAL REQUIREMENTS

IPSAS Compliance system and transitional high level requirements

Area	Wings I	Wings II	Transitional 2008	Full Compliance Requirements
Fixed assets	Use of AMD and ensure clean data	Introduce fixed assets module	i) Invoke 5 year transitional period; ii) Amend AMD with clean data iii) Establish opening balances	Fixed assets module resulting in proper accounting of fixed assets financial data
Inventories	 i) Value inventories using COMPAS, and ii) Value HRDs and FESO inventories using current individual applications 	i) Upgrade COMPAS; or ii) Use LES	i) Value inventories using COMPAS and current applications - clearance is needed from NAO; and, ii) Establish opening balances	Inventory system resulting in proper inventory accounting financial data
Employee Benefits	i) Record major liabilities using actuarial data; ii) Record Leave balances using manual calculation; and, iii) Need to record national staff liabilities	To provide some automation through reports of some of the manual action	i) Recognition of employee benefits prior to IPSAS adoption provided adequate coverage; ii) Need to ensure that data related to national staff is accurately provided for; and, iii)Establish opening balances.	Recognition and provision for all employee liabilities within the financial statements. Funding should be considered noting that it is more of a budgetary than a financial accounting issue.



5. TRANSITIONAL REQUIREMENTS

IPSAS Compliance system and transitional high level requirements

<u> </u>				
Area	Wings I	Wings II	Transitional 2008	Full Compliance Requirements
Financial Statements	i) Remap all three basis financial statements and establish the fourth new one - net assets related; and ii) Produce accompanying notes	i) Remapping and electronic production of all financial statements; and ii) Produce accompanying notes	i) Need all available resources to remap the statements; ii) Manual remapping could be used; iii) Establish opening balances for assets, liabilities and fund balances, and, iv) Produce accompanying notes	All financial statements and accompanying notes should reflect all standards issued under IPSAS and some of the IFRS/IAS requirements
Budget Comparison	Establish new statement disclosures for budget to actual comparison and a note disclosure for the reconciliation of cash flows to the financial statements	Electronically produce the budget comparison and reconciliation	Manual intervention will be required to manually produce the reconciliation and comparison	Requirements of IPSAS 24 need to be met through the budget comparison to actual and the reconciliation of cash flows from budget to the financial statements



6. STATUS UPDATE AS AT DECEMBER 2007

Main activities

- Finalization of IPSAS implementation manual and Risk assessment report
- Inventory Valuation 2nd dry run completed in advance of real exercise 31/12
- Opening Balances requirements and disclosure
- Organization of Awareness and Accrual Accounting Training at HQ, RBs and COs
- Continuous preparation for Board Briefings and Reports
- Data collection for intangible and leases
- Model for the Financial Statements which will require just the input of opening balances
- Inventory Policy expense recognition
- IPSAS adoption 1st Jan. 2008 continued support and oversight





7. MOVING FORWARD

- Close cooperation WINGS II and IPSAS implementation teams
- IPSAS accounting implementation manual; Development of new IPSAS financial statements & note disclosures
- Opening Balances for the first IPSAS compliant financial statements & meaningful comparison between budget and its actuals in financial statements
- Field and HQ staff training and awareness courses
- Coordination of int/ext WG, exchange of advice and knowledge with NAO
- Carry out quality control post adoption stage to ensure coverage





8. RISKS AND MITIGATIONS

WFP Internal-Risks

Tight timeline & Systems dependency on ERP System

UN External-Risks

WFP is an early adopter in 2008 while other UN in 2010 which may develop principles differently.

IPSAS Board External/Risks

No IPSAS standards exist for areas such as Employee Benefits, Intangible Assets, Financial Instruments

Other External/Risks

External Auditor sign off on 2008 IPSAS accounts dependent on satisfactory new policies, processes and related application to data₅₆

WFP Internal-Mitigation

Cooperation with WINGS II and BUs - Manual processes in 2008

UN External-Mitigation

Close coordination with the UN team

IPSAS Board External/Mitigation

Coordination with the UN team and technical agreement and use of IFRS standards where IPSASs don't exist

Other External/Mitigation

Regular communication with principal stakeholders (ED, External Auditors, Donors etc..)





9. FREQUENTLY ASKED QUESTIONS

Is transition to IPSAS implying an increase of the expenses recorded by UN system organizations?

NO, IPSAS records and recognizes "expenses" in addition to "cash outlays"

Expense: Cost or economic value used in an organization activity not the monetary disbursement following the purchase of a good or a service

Cost can be higher than actual cash outlays because of nonmonetary elements (such as provisions)





9. FREQUENTLY ASKED QUESTIONS

IPSAS Adoption seems expensive! What are the main costs related to the project? Why implementation costs vary from organization to organization?

In many organizations the adoption of IPSAS is part of a broader program for modernization of accounting system. Main costs are related to:

- Implementation of new information systems (so called "Enterprise Resource Planning")
- Training
- External support for Change Management and Project Management
- Timeframe considered in budget submitted to Governing Bodies





9. FREQUENTLY ASKED QUESTIONS

Does IPSAS adoption require a move from a biennial to an annual budget cycle?

Adoption of IPSAS does not require WFP to move to an annual budget cycle.

The current biennial budget cycle will be retained as this ensures greater continuity, stability and support for field operations and projects.

However, to enhance transparency and accountability in support of IPSAS adoption, the biennial budget includes an annual breakdown for each of the two annual financial periods covered during the said biennium, in order to facilitate comparison of actual results with budgeted amounts.





10. IPSAS ADOPTION IN GOVERNMENTS

Countries that Have Adopted IPSAS

Developing countries (List A)

- Uganda
- > Zambia

Developing countries (List B)

- Timor-Leste
- Philippines

Developing countries (List C)

Peru

Economically developed countries (List D)

Cyprus

Economically developed countries (List E)

- Azerbaijan
- Romania
- Russia





10. IPSAS ADOPTION IN GOVERNMENTS

Countries that Are Adopting IPSAS

Developing countries (List A)

- Algeria
- Gambia
- Ghana
- Nigeria
- South Africa

Developing countries (List B)

- Afghanistan
- Bangladesh
- > China
- Cambodia
- Indonesia
- Malaysia
- Mongolia
- Pakistan
- > Sri Lanka
- Vietnam

Developing countries (List C)

- Argentina
- Barbados

Economically developed countries (List D)

- France
- Israel
- Netherlands
- Norway
- > Spain
- Switzerland

Economically developed countries (List E)

- Armenia
- Macedonia





Countries that have adopted National Public Sector Accounting Standards similar to IPSAS

- Australia
- Canada
- > New Zealand
- United Kingdom
- United States of America



USEFUL LINKS



» www.unsystemceb.org
» www.un.org/documents
» www.ifac.org
» www.iasplus.com



